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## THE SOVIET UNION

# Economy Gorbachev's priority

*New Soviet leader has promises to keep – and a vested interest in detente*By Richard Anderson  
Special to The Globe

**M**ikhail S. Gorbachev takes office with an urgent need for arms control and detente with the United States. Otherwise, he cannot push through his promised sweeping domestic reforms that won him the post of Soviet General Secretary last Sunday. If the Reagan Administration wants arms control, the opportunity has arrived; if not, Gorbachev faces years of frustration.

There is no reason to imagine Gorbachev as a peace activist. His commitment to detente with the United States has a more solid foundation: It is necessary to the domestic program behind his image as one man capable of doing something about Soviet problems.

All the Soviet leaders agree that, to keep the economy growing, they must find methods to increase labor productivity. This agreement is based not on consensus, but on lack of other options, as drooping birthrates have slowed the growth of the labor force in the 1980s to about half a percent annually.

Gorbachev and his opponents inside the Politburo also agree that, in the short run, their only option is to tighten discipline in the workplace. That is why Yuri Andropov sent squads of police to round up workers doing their shopping on company time, why Soviet courts have begun endorsing dismissals for causes that they formerly would routinely overturn, and why Gorbachev last month blasted reversions to "the old practice" of keeping re-

tail stores and repair shops open only during factory working hours.

For the long run, Gorbachev's opposition favors increasing productivity by introducing higher technology into factories. This proposal has one big advantage: It requires only marginal tinkering with existing institutional arrangements that underlie the power of the party bureaucrats on the Politburo. It also has one big flaw: The leadership has been pursuing the technological option for a decade, and the annual increase in labor productivity has fallen from 4 percent in the period 1970-75 to 1 percent in 1980-85.

Gorbachev conceded the importance of technological innovation. But, as he told a meeting of voters last month, "some-

thing else is no less important: Using what is there already effectively, as an owner would. Experience shows that with the same machine tools, with the same equipment, on the identical lands, one can produce more products, of better quality, at less cost."

Gorbachev proposes to increase efficiency by decentralizing authority. That has three political implications that are radically different from the consequences of his opponents' technology line: limitation of local Communist Party officials' power; a challenge to the lifetime job guarantee that has probably been the main appeal of the political regime to Soviet workers; and re-allocation of investments.

Soviet industrial managers' bonuses and promotions have depended in the past mainly on whether their plants achieved targets measured in gross value of production. They have had no authority over the number of workers to be hired and little control over delivery of parts and raw materials. Success has ultimately depended on whether the local Communist Party boss decided to allocate the necessary railroad freight cars, in which 80 percent of Soviet deliveries move, and to help them "beat out" raw materials and parts promised but never delivered.

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Gorbachev wants to change the incentives for managers, rewarding them for delivery of salable goods at least cost. Then success would depend on finding customers, who are usually located outside the territorial limits of the local party boss' power. It would also require meeting delivery schedules. That explains why Andropov assigned Geidar A. Aliev, a former KGB official who, as party boss in Azerbaidzhan on the Iranian border, cleaned up the notorious corruption there, to do the same in the Soviet transportation system. Aliev's reward was promotion to the Politburo, where he is now a key Gorbachev ally.

These changes take power from local party officials and, consequently, from their representatives at the center - Moscow boss Viktor Grishin, former Leningrad boss Gregorii V. Romanov and the Ukraine's Vladimir V. Shcherbitskii - all Gorbachev's Politburo opponents.

Gorbachev's changes would also reduce featherbedding as factory managers try to cut cost. While Gorbachev has wisely soft-pedaled this side of his proposal, a rating criteria based on salability and cost is equivalent to using profit as the standard. Since 1965, the Soviet Union has been experimenting with judging managers by profitability. At factories where the experiment has been introduced, the managers' first move has been to lay off excess workers. At Shchekino, the most famous such plant, employment dropped 20 percent over a decade.

#### What about joblessness?

Layoffs on such a scale would unquestionably end the Soviet labor shortage, but they raise two touchy problems: Where to find jobs for those workers, and what to substitute for the job guarantee as a source of public allegiance. Gorbachev has an answer. He wants a massive expansion of investment in consumer goods, food industry and retail outlets. That would simultaneously create new jobs for underemployed workers and would provide what is absent today - an incentive to work.

Soviet workers tell a bitter joke that is

revealing about the causes of low productivity: "They pretend to pay us, and we pretend to work." While wages have been rising, the availability of consumer products has not kept pace. There is so little to buy and so much money chasing it that private savings accounts have burgeoned, and what does not go into savings is often spent on vodka.

Expansion of the retail network is also vital to Gorbachev's agricultural reform. The plan would subdivide the enormous Soviet collective farms into smaller fields, each assigned to a work team called a "link." The link members would be paid according to what their field produced. Although the state retains ownership of the land, this change amounts to a return to family farming because the links commonly form around extended families.

But enabling Soviet farm families to earn more will not accomplish anything unless for the first time the government backs the higher earnings with the construction of a network of rural stores, roads to deliver consumer goods and factories to put the goods on the shelf.

The funds for this new investment must come from somewhere, and only one source is obvious. The bloated Soviet defense budget now preempts a share of the

Soviet GNP that is more than twice that of the United States' GNP - even after Reagan's arms buildup. This is the reason Gorbachev has pushed so hard for arms talks and last September was instrumental in the firing of the chief of the General Staff, who had advocated Reagan's "Star Wars" proposal laser for laser.

Gorbachev has even been willing to call for "honest dialogue filled with real content" and "serious talks" when this stance isolated him politically. After the American deployment of Pershing 2 and cruise missiles in Western Europe led the Soviets to suspend the arms talks in November 1983, someone, presumably Romanov, tried to capitalize on the outpouring of anti-American propaganda by organizing a public letter-writing campaign proposing an extension of the work week to build a special "fund for defense."

Led by Gromyko, the Politburo's inner circle countered this oblique pressure for an increase in defense spending by advocating a moderate line combining readiness to resume arms talks with a demand

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for US withdrawal of Euromissiles as a precondition.

Gorbachev alone called for talks without demanding prior removal of the Euromissiles. As a consequence, last summer he found himself ranking only fifth among Soviet leaders, outside the inner-core of the Politburo (Pictures of the Soviet leadership made his ranking explicit by placing an empty chair between the top four members and Gorbachev). Only when Chernenko and Gromyko needed his help to respond to Reagan's September peace initiative did Gorbachev move into core leadership.

But Gorbachev cannot slow the pace of Soviet arms spending unless he can show a favorable trend in the American relationship. Reagan, meanwhile, can make Gorbachev cover up like a boxer pinned on the ropes. He has done it twice. After Reagan ordered the Euromissile deployment to go ahead in the fall of 1983, Gorbachev confined his foreign policy remarks in his next speech to two brief paragraphs. Reagan's reaction to the Jan. 7 Geneva Agreement on resumption of arms talks was to reject out of hand any US concessions on the issue most important to the Soviets, his space defense plan. This reaction forced Gorbachev to lower his diplomatic sights.

"On the threshold of the talks, activity has developed in the USA which raises doubt as to the true intentions of the American side in agreeing to the Geneva talks," he said on Feb. 21. "We don't forget for a minute that the world is not limited to [the United States]... Soviet people trust in the West Europeans' common sense and in their interest in not allowing Europe to be turned into a test ground for trying out Pentagon doctrines of 'limited' nuclear war."

#### **A tactical victory**

This comment was part of a two-pronged political maneuver that put Gorbachev over the top in the Politburo voting. The comment appealed to Foreign Minister Andrei Gromyko, who has long advocated pursuit of common interests with West Europe whenever the American connection goes sour. The other prong was an otherwise inexplicable effusion of praise for the dying Chernenko as a "tireless" fighter for Soviet goals, a cause led by Gorbachev. It reassured the old men in the Politburo that Gorbachev would seek his reforms in a manner respectful of their place in the leadership.

As Gorbachev himself said, his reform proposals are "not new." Indeed, for 30 years the central issue in Soviet politics

has been whether to shift investments away from heavy industry and defense into more consumer production.

This time, Gorbachev has a chance to win his way. The regional party politicians are divided among themselves and discredited by failure. In the military, the new chief of General Staff appointed in September owes his post to Gorbachev's desire for arms talks, and the new defense minister and commander-in-chief of the army chosen in December owe their jobs to political ties with Gorbachev's Politburo allies.

American policymakers must ask themselves this question: What American interests will be served by a confrontational policy that sways the Soviet domestic debate in favor of Romanov, whose foreign policy consists of pumping the defense budget and undertaking adventures in the Third World?

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